

Chairman Platts, Congressman Towns, and Members of the Subcommittee:

Thank you for the opportunity to participate in today's hearing.

As the Deputy Associate Administrator of the General Services Administration's (GSA's) Office of Technology Strategy, and the Financial Systems Integration Office (FSIO) Executive, I also serve as the project manager for the Financial Management Line of Business (FMLoB). As you know Ms. Kathleen Turco, GSA's Chief Financial Officer, appeared before the Subcommittee earlier this month and testified how GSA fully supports the FMLoB initiative and the four FMLoB work streams that the Office of Management and Budget (OMB) has initiated. I look forward to discussing how this initiative has evolved from its inception in 2004 until now. We appreciate your Subcommittee's interest in this important initiative.

GSA's Role in Implementing FMLoB Government-Wide

First, in your invitation letter, Chairman Platts, you asked me to discuss GSA's role in implementing the FMLoB government-wide. In December 2005, the Financial Systems Integration Office (FSIO), formerly known as the Joint Financial Management Improvement Program (JFMIP) staff office, was moved to the Office of Governmentwide Policy and placed within my office. With that came responsibility for the Financial Management Line of Business (FMLoB) initiative. GSA was named as managing partner by OMB and made responsible for the project management of the FMLoB, including organizing the work effort, involving the Federal CFO community in the initiative, and setting the schedule of priorities with input from an Executive Steering Committee of agency partners. In a very broad sense, FSIO's purpose in support of GSA's management role is to serve all executive agencies by providing the agencies the necessary tools to succeed in the implementation of the FMLoB vision and goals.

We have worked closely with OMB and the Chief Financial Officers Council to update FSIO's mission and scope of activities. FSIO continues to support the historical functions of the former JFMIP staff office along with the additional responsibility of managing the FMLoB initiative.

The FSIO office has three major areas of responsibilities:

- 1) Requirements Development and Testing for Federal Financial Systems - Our office develops and prioritizes new Federal financial system requirements and develops and conducts testing and certification of Federal financial management systems, and works with both agencies and vendors on the adoption of these requirements.
- 2) Special Projects - FMLoB Initiative - FSIO provides support to the

Federal financial community by taking on special priority projects As determined by the OMB Controller and the CFO Council. The current special project is the FMLoB project which is extremely significant and central to the core mission of the office. In this role, my office plans and manages the work activities and FMLoB work teams, which are comprised of agency representatives supported by contractors. We use subject matter experts from Federal agencies, focused on narrowly-scoped tasks established to develop, review, and upgrade tools for agencies to implement the FMLoB initiative. Examples of these efforts include the Migration Planning Guidance, Performance Measures, Business Process Standards and Common Government Accounting Code.

- 3) Outreach - Conducting outreach through an annual financial management conference and other related activities aimed at improving the core competencies of the Federal financial community.

Office of the Management Budget Circular A-27 on "Financial Management Systems" stated that FSIO is responsible for establishing processes for testing "off-the-shelf" software supporting core financial system requirements.

FSIO serves as a well-respected and impartial intermediary between Federal agencies and the private sector. We believe the FSIO is viewed as a trusted partner and "honest broker" by both Federal agencies and the private sector in coordinating the development of Federal financial management system requirements. The Federal financial management community has relied on FSIO for its independent testing and certification of commercial off-the-shelf core financial systems software.

Operating separately in the Office of the GSA Chief Financial Officer, GSA is a Federal Shared Service Provider (SSP) providing financial management services to other agencies, boards and commissions through the Federal Integrated Solutions Center (FSIC). GSA was selected by OMB as a SSP because it is GSA's mission to provide best value products and services to other Federal agencies so that other agencies can focus on their missions. Ms. Turco addressed the CFO's perspective, GSA's role as a SSP, when she testified before you last month.

FMLoB Governance Structure

Several key stakeholders provide accountability and appropriate oversight in the management of the FMLoB initiative. They are:

- 1) The Office of Management and Budget. OMB is the central authority on all Lines of Business. Also, OMB's Office of Federal Financial Management (OFFM) provides executive sponsorship, and financial management policy guidance. As the FSIO Executive, I am accountable to the OMB OFFM Controller, Linda Combs, who is a key stakeholder, for progress on the FMLoB.
- 2) FSIO & FMLoB Executive Steering Committee - This committed group of executive stakeholders provides direct governance of FMLoB activities.
 - The purpose of the FSIO and FMLoB Executive Steering Committee (ESC) is to provide strategic direction and agency sponsorship, assist in priority setting, and approve partner agency resource contributions. The ESC meets quarterly or on an as-needed basis.
 - The ESC consists of myself, representing the FMLoB managing partner (GSA), six representatives from CFO Act agencies at the CFO or Deputy CFO-level, a non-voting representative from OMB's Office of E-Government and a non-voting representative from OMB's Office of Federal Financial Management. The ESC members were selected from the CFO Act agencies to represent diverse perspectives in regards to size of agency, financial management technical platform and migration status.
- 3) FSIO Transformation Team - This larger group includes agency representatives from all CFO Act agencies that provides working-level advice to the FSIO ESC and direct two-way communication between the FSIO and the agency representative when needed.
 - The team functions as an advisory group to the FSIO ESC, manages the delivery of interdisciplinary work packages, and makes recommendations to the FSIO Executive Committee and the FMLoB managing partner. The team is responsible for 1) maintaining the credibility of the final work products by providing internal review function, 2) providing recommendations to the FMLoB Project Management office for vetting, and 3) continuously seeking to refine processes to increase credibility and buy-in for their work products.

Original Business Case for FMLoB

The original intent of the 2004 FMLoB business case was to describe the concept and benefits of the FMLoB common solution. This concept consisted of consolidating financial systems across the Federal Government into a shared services model where select providers (Federal and commercial) would provide,

at a minimum, IT hosting services to client agencies. The concept also called for the development and implementation of standard core financial business processes that would enable consolidation.

The business case outlined that anticipated financial benefits and efficiencies would be realized through several means:

- By reducing long-term investment requirements and operations and maintenance expenditures;
- By retiring stove-piped agency financial systems;
- By improving the buying power of the Federal Government with suppliers;
- By facilitating more reliable and accurate financial information in a common format across the Government;
- By enabling agencies to make better decisions through improved financial reporting;
- By enhancing financial management functionality in a cost-effective environment; and,
- By leveraging best practices in a variety of critical financial areas.

The Evolution of FMLoB

The original concept of the FMLoB is unchanged, as are its goals, although the words may have been refined from those in the original business case.

The overall vision of the FMLoB, as worded today, is "to improve the cost, quality, and performance of financial management (FM) systems by leveraging shared service solutions and by implementing other government-wide reforms that foster efficiencies in Federal financial operations."

The goals of the FMLoB include:

"Implementing Federal financial systems that:

- Provide timely and accurate data available for decision-making;
- Facilitate stronger internal controls that ensure integrity in accounting and other stewardship activities;
- Reduce costs by providing a competitive alternative for agencies to acquire, develop, implement, and operate financial management systems through SSP solutions;
- Standardize systems, business processes, and data elements; and

- Provide for seamless data exchange between and among Federal agencies by implementing a common language and structure for financial information and system interfaces."

However, how FMLoB intends to actualize these goals has been refined. This refinement has been the result of a deeper understanding of, and changes in, the market, a better understanding of the collective needs of the agencies, and additional knowledge on existing capabilities of Federal and potential commercial providers. In developing the Migration Planning Guidance, the FMLoB has spent a great deal of effort speaking with its stakeholders about their requirements and concerns while considering the various states of consolidation among agencies.

The FMLoB details have evolved in several areas:

- The scope of agency migrations. The initial business case assumed that agencies would only seek to limit migration of their financial system operations to a hosted information technology (IT) environment. The current approach encourages agencies to evaluate their financial operations from end-to-end and select appropriate additional services.
- The identification of SSPs. The initial business case assumed the development of new, government-run SSPs and open competition with the commercial sector. We continue that approach by scaling and driving service and cost/performance improvements by having existing Federal SSPs and new Federal SSPs, if justified, and commercial SSPs compete to provide the best solutions to agency needs over time.
- The timing of agency migration. The initial business case planned that the standardization of business processes would drive consolidation of Government financial operations. The current approach allows for business process standardizations to be driven by the timeline of the agency financial system replacement.

Scope of Migrations

The initial business case assumed that agencies would only seek to migrate their financial system operations to a hosted IT environment. However, cross-servicing of a precursor to SSPs in Government, related to financial management systems, has occurred for some time and has included not only system operations but also business operations.

Currently an impressive number of agency clients -- 83 executive branch organizations and four legislative branch organizations -- have migrated to the SSP concept.

In addition, our analysis of metrics from commercial sources, as well as state and local Governmental institutions, indicates success in cost savings and efficiencies in migrating their financial system operations to a SSP model. The concept of SSPs is well-established in industry. Major enterprises found that moving to a single financial system and at the same time implementing consistent data and technology standards can cut cost of finance operations by 23 percent ("Companies Can Cut Finance Costs by 23 Percent by Using a Single ERP, Implementing Technology and Data Standards," the Hackett Group Press Release, 8/9/05). Centralization and shared financial systems services are proven best practices, resulting in an average reduction in finance costs of 44 percent (Hackett's 2005 Business Processing Source - EU Shared Services 2005 Study). It is for these reasons that the FMLoB is now providing tools to assist agencies in analyzing the benefits of migrating business operations to a SSP. We are confident that this analysis will demonstrate that the SSP results in the best value for the U.S. taxpayer.

Identification of SSPs

The initial business case for FMLoB assumed the development of new, government-run service centers and open competition with the commercial sector. In addition, this business case assumed six providers but indicated that the actual number would be determined through a competitive process.

Last year, OMB designated four agencies as Federal SSPs. Each of these Federal SSPs had the infrastructure and operations already in existence to support other agencies through a cross-servicing arrangement, and a set of existing clients that were using a range of services, from IT hosting, through transaction processing.

The Department of Treasury's Bureau of Public Debt Administrative Resource Center currently hosts financial systems and business operations for over 30 Government organizations, including most Treasury bureaus and 15 non-Treasury related organizations. The Department of Interior National Business Center hosts financial systems and business operations for 32 external executive branch organizations, and three legislative branch organizations. The Department of Transportation Enterprise Services Center hosts financial systems and business operations for all Transportation bureaus and three other small executive branch organizations. And, as I mentioned previously, the General Services Administration Federal Integrated Solutions Center hosts financial systems and financial operations for over 43 external executive branch agencies, boards and commissions, and one legislative branch agency.

In addition, some agencies have already begun to move their financial system operations to commercial providers. The Small Business Administration began contracting out the operation of its financial system to Corio in 2003. Department of Labor recently selected an Oracle solutions provider, Mythics.

Timing of Business Process Standardization

A high-level government-wide business process standardization framework was developed for the enterprise architecture level agency-wide level in 2004. The detailed government-wide business process standardization work is still on-going with the help of the agencies.

Due to individual agency needs to migrate sooner than completion of the detailed government-wide business process standardization framework, business process standardization is not currently a precedent for agency migration. However, these agencies are expected to use the high-level framework in developing their own enterprise architecture.

Agencies will be expected to adopt the business process standards and to standardize their processes as part of their migration once the detailed business process standards are completed. However, a schedule for this adoption will be determined later. This detailed business process standards work consists of further decomposing and defining business process and data standards for select core financial management functions. The exposure draft of the detailed business process and data standards is planned to be released in the fall.

Clarification on Relationship between OMB Exhibit 300 Business Cases and Public-Private Competition

Finally, Mr. Chairman, I would like to clarify the relationship between the planning requirements encompassed in OMB's Exhibit 300 business case, as set forth in OMB Circular A-11, and the policy of public-private competition, as articulated in OMB's May 22, 2006 guidance on competitive migrations and Circular A-76. In a nutshell, the role of these documents are related and work together to ensure agencies make sound investments of taxpayer dollars, but address different aspects of the migration process.

OMB Exhibit 300, also known as the Capital Asset Plan and Business Case, is a budget planning document that is used to justify funding requests. In the context of the FMLoB initiative, agencies would use the Exhibit 300 analysis to demonstrate if funds should be requested to maintain an existing system or modernizing to a different core financial management system. If the Exhibit 300 analysis supports a decision to upgrade or modernize, then OMB's migration policy calls for the agency to conduct a public-private competition, as a general matter, to ensure that the agency considers alternative public and private sector

solutions in a reasoned and structured manner. The competition process will enable the customer agency to select the best possible provider. If the requirement involved commercial work currently being performed by more than 10 Federal full-time equivalent (FTE) employees, the policies and procedures of Circular A-76 would be used to guide the competition. So the 300 and A-76 do not detract from the other, but A-11 Business Cases and competitive sourcing requirements complement one another.

In summary, the FMLoB has great promise, significant participation and momentum. I am happy to take any questions at this time.